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The Organization & Staffing of Corporate Public Affairs

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The Organization & Staffing of Corporate Public Affairs

by Seymour Lusterman

A Research Report from The Conference Board

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Why This Report

Managing Corporate External Relations, a Conference Board report published ten years ago, provided business with a first look at what was then a rapidly growing new field. Subsequent Board studies have explored particular aspects of that field—the management, for example, of state government relations, of international public affairs, and of public-policy issues, and the development of managerial competence in public affairs.

The present study, returning to the subject of the earliest one, has had three aims—to examine in much greater detail than before possible the staffing of the various program areas comprising corporate public affairs, to provide up-to-date information about organizational design and practices, and to explore recent change.

We are grateful to all the executives who have shared with us their ideas and provided information about their firms' programs.

JAMES T. MILLS
President

Chapter 1
Current Staffing and Organization

THIS STUDY is concerned with the management of certain corporate program areas—functions that share a common focus on external relations and communications, and that seek to affect public perceptions of the firm and to promote its public policy-goals.[1] All but one of the program areas under study are present in the great majority of large U.S. firms, and each is likely to be linked organizationally with one or more of the others.

Differing in scope from one company to another, the program areas studied are:

—*Government relations—federal, state and local:* the effort to monitor legislative and regulatory developments at each relevant level of government, to assess their implications for the firm's interests and goals and—independently or in collaboration with other companies, business organizations, or nonbusiness groups—to affect the course of public policy. (Some financial companies also monitor developments in Washington and the state capitals as a service to clients.)

—*Public relations:* relations with press, radio, TV and other media, and sponsorship of special events and programs instituted to create a public awareness of the firm and its products, to project a favorable image of it, and to communicate information about its policies and goals.

—*Community relations:* efforts to influence social, educational, cultural and economic conditions in company communities, often with special reference to minority groups, and to assist other local organizations and individuals that are engaging in such efforts.

—*International public affairs:* efforts to promote company public-policy interests in international bodies, such as the UN, EEC, and GATT, in the councils of foreign governments, in the foreign trade and affairs programs of the United States, and in foreign markets.

—*Investor and stockholder relations:* communications and dealings with brokerage and other financial institutions, and with company shareholders—institutional and individual.

[1]The use of "public affairs" and other terms to designate these program areas is discussed later in this chapter.

About This Report

This report is based on information provided by 302 companies. Interviews were conducted with public-affairs executives at 51 of these firms; 284, principally Fortune-500 industrial and service companies, responded to a mail questionnaire. Eighteen of the interviews were at firms that did not take part in the mail survey.

—*Corporate contributions:* donations of money and "in-kind" gifts, services, supplies and equipment—often through company foundations—to educational institutions, health-care, community, cultural and similar organizations, and to "United Way" groups.

—*Institutional advertising:* the management of non-product advertising designed to heighten public awareness and knowledge of the company, to promote favorable attitudes toward it, and to influence public views about public-policy issues of concern to the company.

—*Employee communications:* the use of newsletters and other internal media to enhance employee regard for the firm, and to gain from this group understanding and support for management programs and policies.

—*Issues management:* the scanning of the business environment; indentifying social, political, economic and technological developments that offer risks and opportunities for the company; and helping management integrate such information into its planning process.

Staffing of Program Areas

Most of these program areas, as shown in Table 1, are assigned to staff specialists on a part- or full-time basis in the great majority of participating firms.[2] A notable exception is international public affairs, a program area that is absent in nearly three-fifths of the firms studied. Institutional ad-

[2]A scattering of participants in the Board's survey are able to identify other program areas in their companies that they would include under the external affairs and communications rubric. Mentioned two or three times each were consumer affairs, industry relations, environmental affairs, and political action committee.

Table 1: Program Area Staffing

Program areas:	Percent of companies in which program area is ... A full-time or primary responsibility: Number Full Time[1] 1	2 or 3	4 or More	Sub-Total	A part-time responsibility only—one among several duties	Not assigned or present in company	Total
Government relations—federal	28%	16%	11%	55%	38%	7%	100%
Government relations—state or local	21	19	10	50	42	8	100
Public, media or press relations	14	31	25	70	30	*	100
Community relations	17	19	9	45	51	4	100
International public affairs	8	5	1	14	29	57	100
Investor or financial relations	25	21	4	50	37	13	100
Stockholder relations	18	16	5	39	44	17	100
Corporate contributions	22	16	3	41	54	5	100
Institutional advertising	13	16	4	33	41	26	100
Employee communications	17	32	17	66	30	4	100
Issues management	11	6	4	21	51	28	100

[1] Figures exclude clerical and secretarial personnel.

* Less than 0.5 Percent.

vertising and issues management are also unassigned—or nonexistent—in a sizable minority of companies.

The most heavily staffed program area, typically, is "public, or media, relations." It is a full-time responsibility in seven out of ten companies, and staffed by four or more professionals in a quarter of them. Employee communications is not far behind. In third place, and the only other program area for which over half the participating firms employ full-time staff, is federal government relations. State and local government relations is staffed in almost as much depth, and community relations is a close match.

Staff Assigned to All Program Areas

Adding together all corporate staff personnel who devote full-time to one or more of the program areas under consideration here, half of the surveyed companies report that they employ fewer than ten people (Table 2). Only three firms—about one percent of those surveyed—and all of which are durable goods manufacturers—have no full-time personnel assigned to these program areas, individually or as a group. Eight percent employ fifty or more staff specialists. As expected, larger firms employ more people in all of these program areas than do smaller ones. Seven in ten of those companies with 1985 sales in excess of $3 billion employ at least ten public-affairs professionals: this compares with four in ten among firms doing less than $1 billion in sales.

Public utilities, although not among the largest firms studied, tend to have the largest staffs. These are principally in public relations and state-and local-government relations units. Nine-tenths of the gas and electric companies surveyed, and about three-quarters of the telephone companies, employ ten or more staff persons. Closest to these two groups are food, tobacco and pharmaceutical companies.

Table 2: Number of Staff Members in All Program Areas—by Type of Company

Type of Company	Number of staff members[1] Fewer than 4	4 to 9	10 to 29	30 or more	Total[2]
Durable goods manufacture	34%[a]	26%	25%	14%	100%
Nondurable goods manufacture: food, tobacco, pharmaceutical	23	36	28	13	100
Nondurable goods manufacture: all other	15	23	50	12	100
Transportation industries	33	33	17	17	100
Telephone companies	7	20	34	40	100
Electric and gas companies	3	7	60	30	100
Wholesale and retail companies	17	42	33	8	100
Financial institutions	6	48	30	16	100
Other	24	43	19	15	100
Total	19	31	33	17	100

[1] Figures exclude clerical and secretarial personnel.

[2] Details may not add to 100% because of rounding.

[a] Includes three firms with no full-time personnel.

Program Area Clusters

Each of the program areas under consideration here is linked organizationally with others in most instances. Sometimes all are grouped together, forming one large cluster that reports, directly or through intermediate managers, to a single staff executive. More often, several clusters are present and separately managed. (See chart).

In at least a few firms, however, each program area reports to a staff executive with basic responsibilities in a field other than external relations and communications—for example, human resources, legal affairs, marketing, or, particularly, administration. Here and there the chief executive officer, or another top executive with broad managerial duties, oversees a program area directly. Investor relations and stockholder relations are unique among the program areas under study in that they are somewhat more likely to report to such an executive—usually a chief financial officer or treasurer—than to be part of a cluster.

Part-time responsibilities in particular program areas are usually full-time within program clusters. A drug company executive says, for example: "Four people report to me. One and a half devote their time to external communications—with the extra half going wherever help is needed in our group. The third member of my staff divides her time between community relations and the company PAC; the fourth works on corporate contributions." An issues-management specialist at a consumer goods firm, devotes a third of his time to lobbying.

Views about Clustering

The study finds no evidence of a trend either toward the consolidation or separation of program areas: For reasons discussed in Chapter 3, a number of surveyed companies have moved in each direction.

Participants voice three points of view about program clustering. One is that the key program areas under discussion here are so linked by common aims that to separate them organizationally is to frustrate efficiency. "It's not enough that we lobby an issue with members of Congress and their staffs," one public-affairs executive says. "Elected officials are swayed more by their perception of what their voting constituents want than by brilliant arguments in private rooms. So a wide range of programs has to be combined with government relations—media relations, investor relations, employee communications—and, yes, corporate contributions."

An officer at a firm that recently separated several key program areas that had long been together says: "The problem with separation is that it can easily—and in our case, has—become fragmentation. We no longer have a clearly formulated, common, public-affairs mission. None of us has the big picture, or knows what the others are doing."

A second view is that certain of these program areas belong together, but not all. A consumer goods executive, for example, citing the unitary tax as a case in point, argues that federal and state government relations and international affairs are so closely tied that they should be in the same organization. He would not bring public relations into "the loop," however, because it is not "bottom-line oriented in the same sense as government relations."

A food company executive says: "From a management perspective, you cannot try to pigeonhole federal, state, local, even international, affairs. It really doesn't work that way. An issue like the unitary tax, for example, is being pursued actively at all government levels. So are tax and agricultural policy issues. We spend as much time looking at the international implications of domestic public-policy proposals as we do on the domestic implications of development at the United Nations, the World Health Organization, and all of those agencies. So we take a synergistic approach to try to keep everyone in the same loop. Then, we call on the experts to zero in on a particular problem."

The linking of corporate contributions with other program areas is a particularly sensitive issue. As contributions budgets increase, corporate planners increasingly seek a set of guiding values and aims.[3] Recognizing that some return will accrue in public and employee goodwill, they continue to disagree—and some to acknowledge uncertainty and confusion—about the proper relationship of eleemosynary and self-serving purposes.

At one pole is a corporate executive who argues that "to put a charitable trust together with public relations is to invite its use for uncharitable ends." At the other is a public-affairs director who views his company's contributions budget as part of its overall commitment to public affairs. He says: "It could be used more effectively. Our contributions program is based on a principle enunciated years ago that the company has to put dollars back in the community. But that's a guilt trip: It's based on the notion that the money was extracted from the community in some socially undesirable way. I am urging that our foundation money be used to project the company image laid down in our mission statement, and for related purposes."

Off the Charts

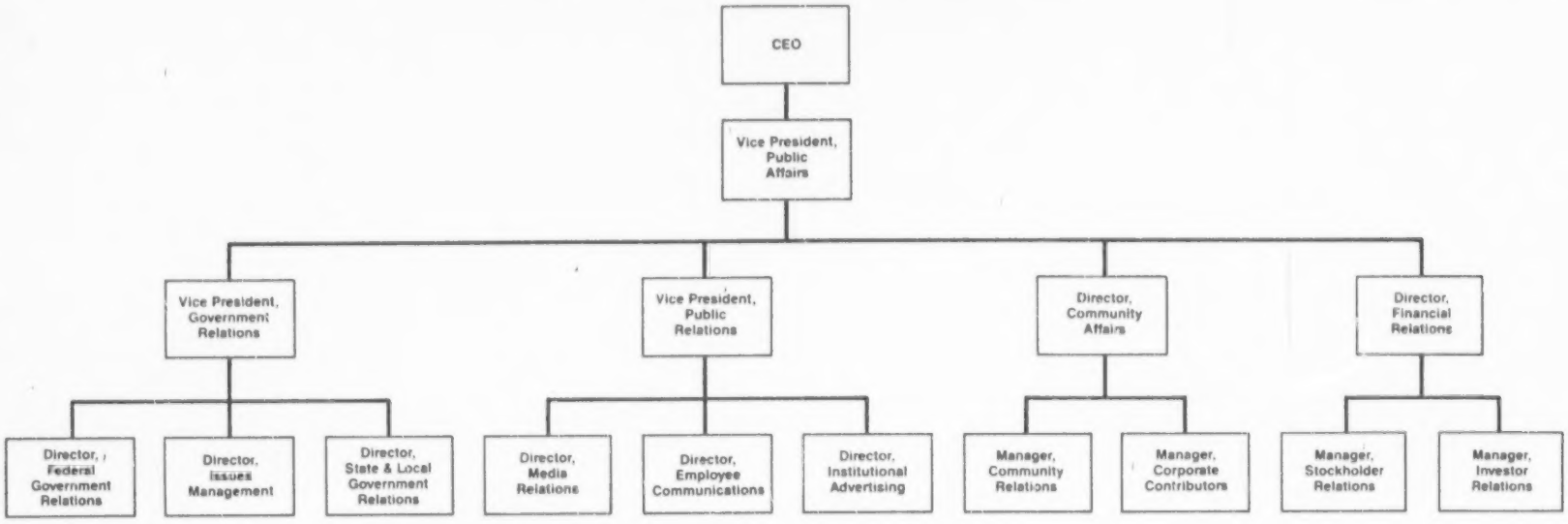
Finally, a considerable number argue that "working" or "interpersonal" relationships are far more important than formal organizational arrangements. "Fifty percent of my work is done for the chairman," a food company's public-affairs head says. "He doesn't want the administrative nuisance, so I report formally to the chief legal officer. Organizational charts don't mean a thing. If the personal relationships are good, the formal ones are of no importance."

The vice president for public affairs at a large manufacturing firm agrees: "Organizational design is built around each company's culture—its people, its history, where it

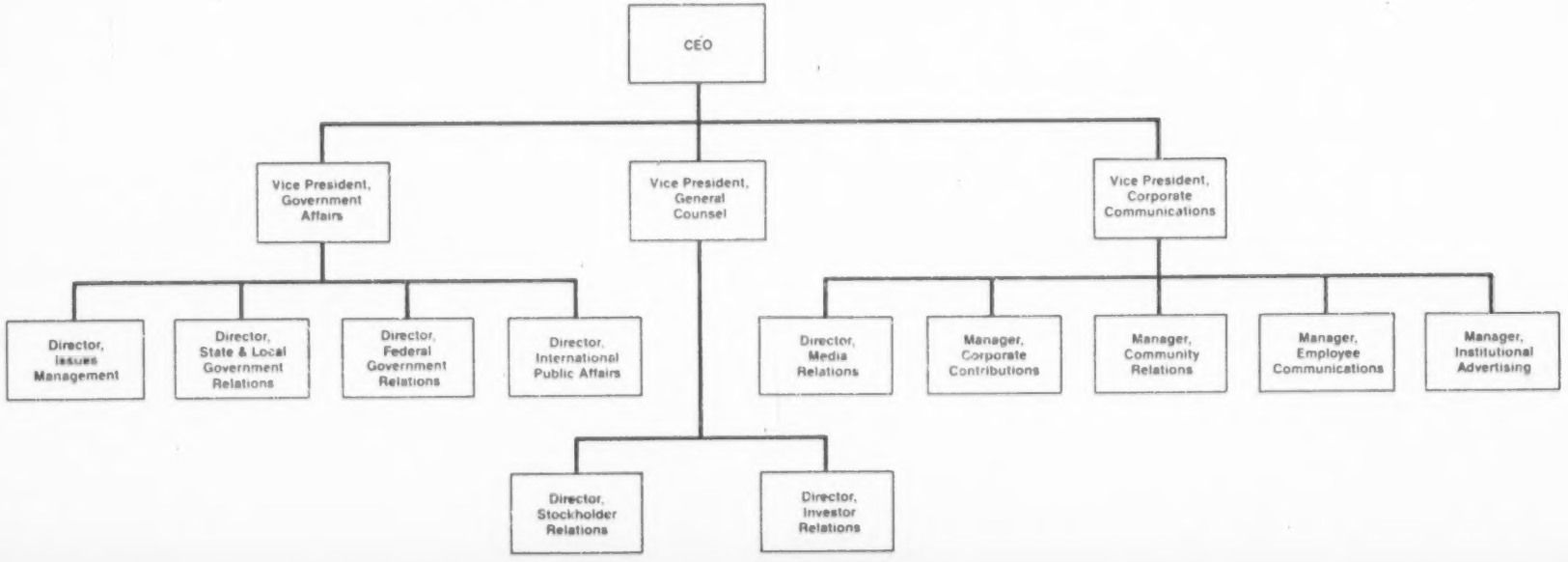
[3]Charitable giving by U.S. corporations grew, in constant dollars, in 1982, 1983, and 1984. See Linda Cardillo Platzer, *Annual Survey of Corporate Contributions*, 1986 Edition, The Conference Board Report No. 882, p.1. Corporate contributions also increased in 1985, the Board's next annual survey will show.

ILLUSTRATIVE ORGANIZATIONAL CHARTS

1. All Program Areas Report to a Single Staff Executive.



2. Program Areas Report to Several Staff Executives.



comes from. I am a believer that just about any kind of organizational configuration can work. As I look at other companies I see different mixes. They all seem to work successfully."

"It's all a question of personalities," a program manager at a large financial institution adds. The firm has moved, in a brief period of years, from separation to consolidation and back to the separation of key program areas. Consolidation, according to this executive, worked well under its first head, but not under the second. "His background and interests were not sufficiently varied, and his personality was not right for the job." The program parts were separated recently and are said, by each of the program managers, to be working more cooperatively than before. Some who advocate the further consolidation of certain functions in their companies also believe that the penalty of present arrangements is slight. "There's an added communications task, but it's no real problem," one says.

Major Clusters

It is doubtful that program-area clusters and reporting arrangements are exactly the same in any two companies. One way of viewing them is in terms of the responsibilities of the corporate staff executive judged to have primary responsibility for the various program areas. Thus, after being questioned about the individual program areas, participants were asked whether there is "a readily identifiable senior public-affairs executive in your company—that is, a member of corporate staff who is responsible for all, most or key program areas?" Nearly nine out of ten—88 percent—said "yes," with little variation among companies in different industries. Most of the "no's" came from the smallest of the participating firms, and from those with the fewest staff professionals in the various program areas.[4]

[4]Data on the educational and professional background of senior public-affairs executives, and on their personal characteristics, are shown in the box on pages 6 & 7.

Responsibilities of Senior Public-Affairs Executives

Certain program areas are more likely than others to report to the senior public-affairs executive. Where international public affairs is an assigned duty in a company, for example, either full- or part-time, it almost always reports to the senior public-affairs executive . In a large majority of firms this person also oversees most of the other program areas. Investor and stockholder-relations programs, however, report to other company executives in seven out of ten firms, (Table 3).

An analysis of the clustering patterns shows that:

—22 percent of senior public-affairs executives are responsible for *all* of the following program areas—government relations (federal, state or local), public relations, community relations, corporate contributions, employee communications, and issues management—and often, though not necessarily, for international public affairs, investor relations, and stockholder relations.

—35 percent are responsible for government relations, public relations, and, usually, one or more other program areas, but not for all those embraced by the first group.

—41 percent are responsible for government relations or for public or media relations, *but not for both*—and, usually, for other program areas as well.

—2 percent are responsible for functions other than government relations and public or media relations—community relations, principally.

In certain industries these clustering patterns depart markedly from overall practice. In most financial establishments, for example, government relations and public relations do not report to the same executive. Nor do they do so in half the telephone companies. But these two functions are combined with above-average frequency at wholesalers and retailers, electric and gas companies, and food, tobacco and pharmaceutical manufacturers (Table 4).

The responsibilities of some senior public-affairs executives extend to staff functions other than external affairs. Most commonly, they include human relations, law, finance,

Table 3: Program Area Reporting Relationships

	Program area reports to		
Total Program areas	*Senior public affairs executive*	*Another company executive*[1]	
Government relations—federal	62%	38%	100%
Government relations—state or local	65	35	100
Public, media or press relations	72	28	100
Community relations	73	27	100
International public affairs	95	5	100
Investor or financial relations	31	69	100
Stockholder relations	29	71	100
Corporate contributions	62	38	100
Institutional advertising	72	28	100
Employee communications	63	37	100
Issues management	83	17	100

[1] In a minority of cases these executives are vice presidents, directors or managers of "public affairs," "public relations," "corporate communications," and the like, but not the firm's senior public affairs executive.

Table 4: Program Areas Clusters—by Type of Company

	Program area clusters reporting to senior public-affairs executive				
	All key program areas[1]	*At least government relations and public relations*	*At least government relations or public relations: not both*	*Neither government nor public relations*	*Total*
Durable goods manufacture	20%	41%	39%	-	100%
Non-durable goods manufacture: food, tobacco, pharmaceutical	27	33	40	-	100
Non-durable goods manufacture: all other	30	44	26	-	100
Transportation industries	22	33	45	-	100
Telephone companies	29	21	50	-	100
Electric and gas companies	16	56	24	4	100
Wholesale and retail companies	27	55	18	-	100
Financial institutions	15	20	58	7	100
Other	22	34	44	-	100
Total	22	35	41	2	100

[1] Key program areas defined as government relations, public relations, community relations, corporate contributions, employee communications, and issues management.

Background Characteristics of Senior Public-Affairs Executives

Shown here are findings of the Conference Board's survey on the education, professional experience and personal characteristics of the "senior public-affairs executives" who are present in nine out of ten companies (See page 5.)

Data are shown separately for those who have government-relations duties and those who do not. Members of the first group, the study finds, are much more likely than the others to have training in law and experience in government employment. Those whose duties do not include government relations were more often journalists; they are also more likely to be women.

EDUCATION

	Current responsibilities	
	Include government relations	*Do not include government relations*
Degrees		
Doctorate	2%	-
Masters	24	33
Law	20	3
Bachelors	50	62
Some college or high school	4	2
Total	100%	100%
Fields of major concentration		
Political science	12	13
Finance	3	3
Business administration	20	28
Science or engineering	7	10
Social science	6	7
Law	20	3
Economics	6	5
Humanities	11	22
Other	30	40
Total	100%	100%

PROFESSIONAL EXPERIENCE

Corporate employment prior to present assignment (in present or other company)	*Currrent responsibilities . . . . .* *Include government relations*	*Do not include government relations*
Public affairs or public relations	52	68
Marketing or sales	16	18
Legal	10	3
Human resources	7	3
Finance or administration	7	8
Engineering or technical	6	5
Line/operations management	10	18
Total	100%	100%
Previous experience in government—federal, state or local		
Legislative staff	14	-
Executive agency staff	18	3
Elective office	3	-
Other	4	7
None mentioned	61	90
Total	100%	100%
Other previous employment		
Trade association or other business organization	9	10
Journalism	21	35
Public-affairs consultant	8	18
Other	16	13
None mentioned	40	29
Total	100%	100%

PERSONAL

	Current responsibilities . . . . . *Include government relations*	*Do not include government relations*
Age		
Under 35	4%	7%
35-39	8	5
40-44	14	15
45-49	17	17
50-54	24	22
55-59	19	15
60-65	15	19
over 65	1	-
Total	100%	100%
Sex		
Male	93	86
Female	7	14
Total	100%	100%

[1]Figures may add to more than 100% because of multiple answers.

marketing or product advertising. Duties of one or two of the survey participants also include labor relations, corporate planning, and business development. A smaller number have responsibilities of somewhat lesser importance—for example, administration of the company's employee stock-option plan, or duties relating to corporate aircraft. Finally, the public-affairs program groups reporting to senior public-affairs executives may perform services for other departments: A dozen particpants say their units provide graphic or audiovisual services.

Managerial responsibility for certain functions may be divided, as it is most commonly, for investor relations. One senior public-affairs executive says: "We share investor relations with a vice president in charge of that function. Investor relations does the day-to-day talking with major holders of our securities, with the sales people, with the whole investment community. Our piece is the formal part. In a program to list our shares on a foreign exchange, for example, we would handle the ceremony, talks and media interviews. Similarly, with stockholder relations we prepare publications, while the VP of Investor Relations deals with transfer agents and does all the rest."

Titles and Their Meaning

"Public affairs" is the choice of most companies to designate the function that embraces government relations, public relations, and, usually, other program areas as well. It is used in the balance of this report as a convenient way to designate major program clusters and the activities they represent. Among the principal alternatives, "external relations" is seen by many executives to neglect the internal communications aspects, "corporate relations" to be too vague, and "corporate communications" to overlook the coalition-building and other organizing aspects of the function.

The senior person responsible for all or most key program areas has a "public affairs" title more often than any other—with "corporate communications" a prominent but distant second. The more common designations for this executive's functions are:

Public affairs	40%
Corporate communications	23
Corporate relations or affairs	13
External relations or affairs	4
Government relations or affairs	3
All other	18

Job titles are unreliable guides to duties. With different titles from one company to the next, senior public-affairs executives often have similar patterns of responsibility. The same title may also hide differences.

The vice president for public affairs at one communications company devotes about 90 percent of his time to corporate contributions activities—most of the rest to "matters bearing on South Africa." Government relations, media relations and investor relations are responsibilities of a vice president for corporate affairs, the firm's actual senior public-affairs executive.

Some tendencies in title use can be seen, however, particularly in differences between "public affairs" and "corporate communications." Government relations programs, most notably, fall considerably less often among the duties of "corporate communications" executives than of "public relations" heads. "Corporate communications" people, on the other hand, are the more likely of the two to have responsibility for public relations, institutional advertising, employee communications and—perhaps suggestive of its character in many firms—international public affairs (Table 5).

Rank of Senior Public-Affairs Executive

Senior executives responsible for these program-area groupings hold the rank of senior vice president in 14 per-

Table 5: Program Areas Reporting to the Company's Senior Public-Affairs Executive, According to that Executive's Responsibilities

	Senior public-affairs executive's responsibilities include				
Program areas	*All key program areas*	*Not all, but government and public relations*	*Government, but not public, relations*	*Public, but not government, relations*	*Not public or government relations*
Government relations—federal	88%	91%	93%	-	-
Government relations—state or local	96	96	95	-	-
Public, media or press relations	100	100	-	100%	-
Community relations	100	86	68	85	40%
International public affairs	84	74	72	89	-
Investor or financial relations	29	38	6	54	-
Stockholder relations	32	28	7	48	-
Corporate contributions	100	67	57	62	33
Institutional advertising	93	74	6	84	67
Employee communications	100	71	6	89	20
Issues management	100	88	71	84	50

cent of participating firms, vice president in 62 percent, director in 18 percent, and manager in 4 percent: Two percent have other titles. The rank of vice president or senior vice president is held less often in manufacturing firms than in other companies. It is most often used among financial institutions. In fact, reflecting the proclivity of financial firms to make liberal use of the title of vice president, 30 percent of top public-affairs executives in financial institutions hold the rank of senior vice president: this compares with 11 percent in other types of firms.

Rank appears to be unrelated to the scope and character of these executives' duties. It is, however, related to the size of staff. Among firms with fewer than five public-affairs staff members, the top senior public-affairs executive is a vice president or senior vice president 56 percent of the time: Where there are ten or more staffers, 88 percent hold this title.

The Senior Public-Affairs Executive's Boss

The senior public-affairs executive reports to a top corporate officer having general managerial duties in four out of five companies. More than half the time this is the CEO. Fewer than one in five report to another corporate staff executive. Specific ratios are shown below.

Person to whom senior public-affairs executive reports:	*Percent of companies:*
Chief executive officer	57%
Chairman or president (not CEO)	9
Executive Vice President	10
Vice Chairman	6
Chief counsel or legal officer	4
Chief financial officer	4
Other staff executive	10
Total	100%

The higher the senior public-affairs executive's rank, the more likely that he or she reports to the CEO. Thus, 80 percent of the senior vice presidents report to the top, compared with 58 percent of the vice presidents, and 41 percent of the directors and managers. Public-affairs executives whose responsibilities include all program areas, however, are no more likely to report directly to the CEO than those having less comprehensive duties.

Chapter 2
Recent Influences on Staffing and Organization

WHILE ORGANIZATIONAL CHANGE is a constant in all large enterprises, its pace among U.S. corporations has accelerated in recent years, affecting public affairs no less—though, from all indications, no more—than it has other staff activities. Most of the firms participating in this study have experienced significant organizational change in one or more of these respects: (1) in the number of persons assigned either to particular program areas or to public affairs in general; (2) in the reporting relationships of the program areas and the ways in which they are grouped; (3) in the roles of corporate and operating-unit staff members; (4) in the use of external and other internal staff resources.

Such changes stem from both internal processes and from external events. In the first class are reappraisals of staffing needs and organizational arrangements, the comings and goings of personnel, and changes—often abrupt, of late—in the size, character and resources of the firm. Externally generated factors during recent years have included powerful foreign competition for certain firms and industries, deregulation, and hostile takeovers.

Reappraisals of Need

It is an axiom of management that the resources committed to an effort be proportionate to its aims. Changes in public-affairs staffing and organization in some firms have stemmed more from reappraisals of existing arrangements than from significant changes in the circumstances or needs of the company. "It's always tempting to look for other explanations," one participant says in describing a decision to combine several program areas: "Certainly we were mindful of costs. But the basic reason for the change was that we were convinced things would work better this way."

Changes in senior management often bring new points of view about public-affairs programs. Warner Lambert offers a recent example, as its Vice President for Public Affairs reports: "Public-affairs efforts tend to mirror the external affairs interests of the CEO and top management. As new people have moved to the top at Warner Lambert, the department's focus has shifted from public and media relations to a heavy emphasis on financial and government relations as well as international affairs. A Washington office has been opened, a PAC set up, and investor relations moved into public affairs. A public-policy committee of the board has also been established." Changed perspectives may come from present as well as new management.

New ideas about how to promote program goals have also had staffing or other organizational implications. Staff resources devoted to some kinds of public relations at Pepsi-Cola Company—the soft drink marketing arm of PepsiCo—have decreased for this reason. "From the mid-seventies to the early eighties we did sports PR essentially," the company's senior public-affairs executive who was then the Pepsi PR Programs director, reports: "It was very specific to time and place—and therefore very labor intensive. Then we saw that young people had a far greater interest in music and pop stars than sports. We turned to Michael Jackson and got more exposure in a week than all our sports events did in ten years. We still have sports programs, but they function more to help our community relations effort than they do to build sales through 'marketing' PR. We have far fewer managers devoted to those programs and they are less labor intensive. Our bottlers are taking on more of the burden."

Many of the reappraisals spoken of by executives interviewed for this study center on the relatively new subject area of issues management. Programs judged to have been launched on too large a scale have recently been slashed by some firms. Issues files were excessive in number and content, they report, and providing information to keep them up-to-date occupied too much managerial time. "We were also inundated with more information and analyses than we could absorb, let alone put to use," one participant says. Others have changed the focus of the job. "We realized that we get all the information we really need about social, economic and legislative developments from our trade associations and from line and other staff people in the company. We do need, and now have, someone who can think through a relatively small number of policy issues—the few that are vital to us—and who can digest all the pertinent information and prepare a clear and thoughtful report," an executive at one such company reports.

Meanwhile, other firms are introducing issues-management programs for the first time. "Important decisions are still being made with too little information," according to the public-relations director of a utility company about to start such a program. But these new issues-management programs often have a narrower focus than some of the earlier ones. The public-affairs head of a

manufacturing company reports, for example: "We traded in public-opinion polling and research funds to hire an issues-management person recently. His job will be to identify and work with the people most affected by, say, a piece of new legislation, get their help in determining its possible effects—and, with the government relations and media people—decide what our position and strategy should be, what compromises are acceptable, and how much time, effort and money the issue is worth."

New perceptions at the top have brought organizational change to several U.S. subsidiaries of foreign firms. "The traditional feeling of our European management that we must not be noisy guests or rock the boat has been giving way to a more forceful stance," one U.S. subsidiary reports. The result: recent growth in its public-affairs staff. Another U.S. subsidiary was directed recently to initiate an issues-management program, the outgrowth of a costly surprise experienced by a division of the parent company in another part of the world.

Available Talent

The frequency with which organizational forms adapt to the exigencies of available personnel can hardly be exaggerated. Instances abound in which the "personality," "interests," "strengths" and "expertise" of individuals available to replace departing managers provide a prime rationale for regroupings or separations of program areas.

All external affairs programs at 3M Company, Worldwide, for example, were brought under the management of a Vice President for Marketing and Public Affairs in 1984. The change was designed, this executive says, to improve the firm's overall process of setting priorities, its external communications, and the efficiency of its external relations management. The availability of an executive with experience in the company's international operations was a necessary condition for this organizational move, both he and outside observers assert.

A series of organizational changes at GTE, as described by the company's Vice President for Corporate Communications, also illustrates the role of individuals. "Government Relations, Corporate Advertising and Public Relations were brought together in 1979 after the retirement of two strong department heads. Then, when the telephone industry was being deregulated, it was decided that the Government Relations office in Washington should report directly to the Chairman, who was spending a great deal of his time in the nation's capitol. It continued to report to the Chairman until our Chief Legal Counsel retired and was replaced by a former Deputy Attorney General of the United States. The new legal head, who has recently been named Senior Vice President for External Affairs and General Counsel, was also well known in Washington—so the Chairman gave him the responsibilty for government affairs."

Several other examples:

—An aerospace company: The impending retirement of an executive in charge of media relations and contributions will make it "politically possible" to bring an end to "the awkward separation" of these functions from government and community relations.

—A food company: Government relations and media relations, previously under one head, were separated when this individual was reassigned because his "logical replacement" was "too much of a public-relations type."

—A textile firm: The CEO, personally active in community affairs and in direct charge of that function, moved the function into Corporate Communications as a means of "getting community affairs into the system"—involving other senior executives and thus ensuring that it survives his retirement.

Organizational moves were also made in at least a few companies to create jobs for executives displaced by reorganization or divestiture. In one, for example, an issues-management function—and an issues-management committee of senior corporate-and operating-unit executives—was instituted for this reason. In another, several program areas were brought under common management for the first time. The wish to find a new assignment for a displaced executive sometimes prompts management to implement an organizational step long contemplated or debated.

Change in the Size, Character and Resources of the Firm

Public-affairs organizations have changed with the fortunes of firms in the marketplace. Competition from foreign firms, exacerbated by the strong U.S. dollar, has been a major influence. "International competition is very rough," Allied-Signal Company's Senior Vice President for Public Affairs says. "The low-cost producer makes out fine; the high-cost producer does not. So we've had to take our costs down as a corporation."

But many firms, particularly those that for one reason or another do not face strong foreign competition, have prospered. In the process some have launched or expanded activities in various program areas—or have added or regrouped staff.

An executive at one such firm, a financial company, reports, for example: "The company has grown rapidly over the past decade, from a sleepy little regional firm largely unheard of to the nation's number-five life insurance company and a growing presence in diversified financial services. Our communications functions have lagged. With our first corporate communications officer, we're trying to catch up and respond to pent-up demand, and give attention to all public-affairs concerns. The company is trying to become more visible, to establish an image as an aggressive, innovative organization."

PepsiCo, through its divisions, is another firm that has expanded its public-affairs function during the last five years. Recent staffing and organizational developments at the divisions have reflected the increase in needs that have accompanied growth, and responsibilities of industry leadership as well. PepsiCo's Vice President for Public Affairs explains:

"As all of our divisions have become larger and more successful, and have assumed a more important place in their industries, they have had to take on new responsibilities. . .to step up to the plate and represent their industries in Washington and state capitols—and to assume more leadership in our trade associations. At one time, the corporate public-affairs staff picked up most of the responsibility, today we have government-affairs capability in all the divisions."

Changing Issues and Needs

The emergence of new issues, and the fading or resolution of older ones, often influence both staffing and organizational arrangements. Some participants, for example, credit "the Reagan approach" with creating an environment in which it has been possible to cut staff. "The excessive aggressiveness of the Food and Drug Administration, and the Federal Trade Commission have abated," a pharmaceutical company executive says. "We were all geared up to deal with the regulatory environment of the Carter Administration," the head of public affairs for a manufacturer of oil drilling equipment reports: "Less has been needed under Reagan."

But newer federal issues have spurred staff growth at many firms. Trade policy is a frequently cited example, an issue defined by one participant as "the excessive and short-sighted zeal by many lawmakers to restrict the free entry of certain products into the country," and by others on the opposite side of the issue, as "the abandonment of U.S. business." To deal with aspects of the trade issue, including violations of intellectual property rights by foreigners, a pharmaceutical firm has "applied additional staff resources, retained outside consultants, funded studies, and gotten its trade associations more active."

Also generating growth in federal government relations units are such issues as tax reform, and a variety of concerns affecting particular firms and industries—health-care cost containment, for example, ties to South Africa, smoking restrictions, and so on.

Deregulation has become a major issue for many large financial institutions. It has drawn some of them more energetically than in the past into government-relations activities, at both the federal and state levels. One bank has recently established its first office and staff in Washington out of a conviction that "the deregulation map will ultimately be drawn in that city" and that "being part of the process requires being down there."

Executives who report a recent abatement in government-generated pressures tend to see such phenomena as cyclical. At least one, however, expects a further moderation of federal concerns, reasoning that the huge federal deficit will render new social legislation and regulatory initiatives unaffordable for many years. Others expect revenue issues to grow in the states as a result of federal budgetary constraints.

State concerns, too, have grown for some firms, ebbed for others. One executive reports: "Attention to the states has been building in our program. It's where the crunch will come." Another observes: "If you take key federal issues—the environment, employee rights, regulatory issues, tort reform—they are all happening in the states now, fifty times over, very fast—at a pace none of us can keep up with. Then there are the state issues—workers compensation, insurance, and, lately, plant-closing bills. Getting the information, assigning priorities, acting effectively has become very time consuming and costly. It takes more and more people. Operationally it's still where we're weakest—and by 'we' I mean all of us in industry."

The director of public affairs for a large food company, on the other hand, reports: "State proposals that a few years ago threatened the very essence of our business—that would, for example, have created state-by-state differences in standards for advertising to children, and in labeling requirements—have little life left in them. Current state efforts at revenue-raising are proper to the states and can be handled by our trade associations or by consortiums."

Growing attention by public groups to environmental issues in a number of the cities in which it operates prompted organizational moves at an aerospace company. In addition to instituting a systematic companywide study of the environmental effects of its production and storage processes, this firm created a new corporate department in 1985—Local Government and Community Relations, as well as comparable units at five key operating locations. The head of the corporate program says: "We are in fourteen cities, and they were all doing their own thing. The company decided there was need for assuring that everybody went in the same direction."

Many firms perceive minority and urban-affairs activities to be less pressing in their communities than they were in the past. Some programs have been eliminated, others reduced in scale or shifted to other departments. One participant reports: "Urban affairs was moved into personnel about eight years ago. Since personnel people tend to be involved with internal, bureaucratic things, it was neglected. Recently, the person in charge was transferred and the whole function abandoned."

Changing needs have affected staffing in public-relations and investor-relations programs, too. His department's staff was cut, the director of corporate communications of an oil company explains, "because we are neither the hot news nor the investment opportunity we were a few years back." At the same time, a company that has been resisting hostile takeover efforts for several years reports that "staff resources devoted to investor and stockholder relations, and to communications generally, have increased greatly."

Reorganization and Structural Changes

Significant reorganizations and restructurings brought about either by management fiat, by government mandate, or by mergers, acquisitions and divestitures have also affected public affairs as well as other corporate departments. Illustrating management-initiated organizational change is a recent decentralization program at a financial company, under which divisional entities became independently managed profit centers. Various public-affairs functions, along with

others previously performed by corporate staff units, "have been driven down into the lines of business for them to handle," a company executive says. One result is that "fewer people are devoting all of their time—but more are spending some of their time—on these activities." A shrunken corporate staff serves "a coordinating and resource function." It does continue to manage a central corporate contributions program.

The break-up of AT&T created new regional corporations and brought local telephone companies into new relationships with these parent entities and with each other. An early public-affairs strategy at NYNEX, for example, was to set up a Washington office, reestablishing a presence there for the corporation and its two telephone companies—New York Telephone and New England Telephone. Management also found a need, during the first two years of the new firm's existence, to introduce corporate coordination and oversight of activities being conducted at the state and local levels both by the telephone companies and by several unregulated businesses it has established. To this end, it appointed a corporate Vice President for External Affairs.

Pacific Gas and Electric Company was pressed into a major restructuring by the California Public Utilities Commission. Its objective: more economical and efficient service to PG & E's customers. In place of 13 operating divisions, of widely varying size, resources and programs, six regional organizations were established. In only a few cases, formerly, had public-affairs programs been conducted by full-time specialists. They had been a part-time responsibility in some, and were performed by general field managers in still others. Formal public-affairs departments are now present in each of the six regions. These departments, professionally staffed, encompass government relations, media relations (designated "news service"), community relations, corporate contributions, and related programs. The managers of the public-affairs units report to the regional vice president, but on a dotted-line basis to the corporate senior vice president for corporate relations. Also reporting to this executive are vice presidents for community and government relations, and corporate communications.

Government relations and public relations at Olin were separate functions until recently, each reporting to the CEO. Following staff cuts in the public-relations function, occasioned by divestitures of company operations, the head of the public-relations department left. Olin then uncoupled state from federal government relations and assigned its manager responsibility for public relations as well, establishing a Public Affairs Department.

A Merger and a Divestiture

What happens when a decentralized public-affairs organization merges with one that is highly centralized? In Chevron's consolidation with Gulf, a new structure combined features of both.

At the time of the merger, all of Gulf's public-affairs professionals were located at the corporate level. Chevron had only a small corporate unit, devoted largely to research and planning. At Chevron U.S.A., the firm's principal operating company, staff units handled government relations, community relations, and corporate communications. The units served the entire Chevron family. Their resources were supplemented at the local and state level by a force of 30 field people who reported to the managers of more than a dozen other operating companies.

"The need to reorganize as a result of the merger led us to reexamine this whole structure," a Chevron executive says. "Comparing our organization with Gulf's, we tried to highlight inefficiencies, and points of potential conflict, and come up with the best approach." This ultimately changed the Chevron organization in two ways. First, Corporate Communications was moved to the corporate organization. Second, all field people previously at line units were reassigned to Chevron U.S.A. Public Affairs to ensure that the time and effort of public-affairs personnel would be governed by corporatewide goals and priorities, rather than special divisional need. However, each of the other operating companies has a staff person "to follow public-affairs activities, coordinate them with Chevron U.S.A., and interact with the company's management."

Two regional field public-affairs managers in the Chevron U.S.A. group are responsible for ensuring that the needs of operating companies are being met. Coordinating committees have also been established in areas with several operations. These are made up of local senior managers, regional field managers, and, sometimes, other public-affairs field personnel.

A one-time subsidiary of another firm, which recently became a separate business, has moved in a quite different direction. Previously, a top director of public affairs had responsibility for four program areas—government relations, regulatory affairs, external communications, and internal communications. Early in 1986, the job of director was eliminated. Three of the four public-affairs functions were rehoused at the corporate level. Internal communications was moved into the human-resources department, external communications assigned as an additional duty of the corporate packaging director, and regulatory affairs transferred into the legal department. "In other words," a corporate executive notes, "a layer of management has been eliminated." So, too, has a whole corporate program area. Government-relations activities are now managed entirely at the divisional level. This move is in keeping with the new management's view that operations should be encouraged to identify and represent their own interest rather than accommodate to an optimum corporate interest.

Chapter 3

Recent Changes in Public-Affairs Staffing

THE NET EFFECT on public-affairs staffing of the influences discussed in the preceding pages has been varied. More than a third of surveyed firms report increases in the size of their corporate-level public-affairs staff since 1984. Two-fifths report no change in staff size. But a quarter of the companies indicate that their staffs have decreased—probably marking the first widespread reversal of a growth trend that has persisted for several decades.

The extent of staff cuts is probably somewhat greater than these figures show. For one thing, companies that have experienced recent reductions are almost certainly underrepresented among survey participants: Several firms called to report, for example, that recently created staff shortages prevented them from completing the Board's questionnaire. It is known, too, that some firms reduced staff shortly before the "past two-year" period of the survey's inquiry. The fact remains, however, that a considerable number of firms have added to public-affairs staff during a period in which reports of staff reductions—often the stuff of prime-time news reports—have been so widely reported and discussed as to seem pervasive.

The kinds of pressures that impelled recent staff reductions will persist, many survey participants think, and may affect companies that have not yet experienced cut-backs. "Efforts by U.S companies to become more efficient in this new global economy will have to be long term," one executive comments. This perspective tends to be tempered, however, by the belief that as earnings improve in participants' companies, some growth of public-affairs staff and budget will follow.

Staff Size Change, by Type of Company

Staff increases far exceeded decreases during the past two years in three industry groups—wholesale and retail companies, electric and gas companies, and financial institutions. Increases also predominated among food, tobacco and pharmaceutical firms. Among other makers of nondurable goods, declines considerably outnumbered increases. Staff decreases predominated to a still greater degree in the transportation sector and, more moderately, in the durable goods group. Gains and losses occurred equally often among telephone companies (Table 6).

In a few companies, public-affairs staffs have been virtually eliminated during the past two years. For example, at one, recently taken over in a leveraged buy-out, public relations became a part-time function when the former head of the function retired and his assistant resigned. A two-person government-relations unit in Washington was also eliminated, with some of its responsibilities assumed by the company's law firm.

Staff Size Change, by Company Size

Public-affairs departments that lost staff during the past two years were, on average, considerably larger at the start of the period than those that gained. The median number of professionals employed in the various public-affairs program areas of the staff-losing firms was eighteen—of the gainers, eight. Those reporting no change in staff size employ twelve, on average.

Among firms losing staff, the smaller ones experienced greater losses, proportionately, than larger ones. Those starting with two or three public-affairs staff members, lost one staffer, on average, thus shrinking in size by a third to a half. Public-affairs groups with four to nineteen members had average declines of 22 percent. The largest departments, those with from 20 to more than 100 members, were down by only about 12 percent.

Factors Accounting for Changes in Staff Size

Staff cuts are explained most often—by 70 percent of those experiencing them—on the basis of lowered company earnings or across-the-board cost-reduction programs. About half of those surveyed gave more than one explanation, attributing their firms' reductions to divestitures or other structural changes.

About one participant in eight also offered one of the following explanations for staff reductions:

- diminished need;
- greater use of consultants or other outside resources
- decisions to shift certain responsibilities from corporate to operating units of the company.

Growth in corporate staff is a response, more than half

Table 6: Changes in Number of Public-Affairs Staff Members, 1984 to 1986—by Type of Company[1]

	Staff in public-affairs program areas			
	Increased	*Stayed the same*	*Decreased*	*Total*
Durable goods manufacture	28%	39%	33%	100%
Nondurable goods manufacture:				
food, tobacco, pharmaceutical	37	39	26	100
Nondurable goods manufacture: all other	15	52	33	100
Transportation industries	8	33	58	100
Telephone companies	37	25	37	100
Electric and gas companies	57	33	10	100
Wholesale and retail companies	67	17	17	100
Financial institutions	50	32	18	100
Other	24	48	29	100
Total	35	37	28	100

Note: Details may not add to 100% because of rounding.

[1] Period covered is two years from Spring of 1984 to Spring of 1986.

the time, participants say, to increased need—the emergence or heating up of issues, greater media attention to the company, and the like. But other factors are involved as well. More than a third of the companies reporting staff increases attribute them to changes in their company's size, structure, or character as a result of mergers, acquisitions or other major redirection of resources. About one in seven say they added staff to reduce the need for outside resources. A like number have taken over responsibilities from operating units of their companies. Increases in company earnings have also been a factor for about one in ten of these companies, and nearly as many attribute public-affairs staff growth to new top management or a changed perception of the function's value or potential by existing management.

Attention to Program Areas

A majority of those surveyed judge that no change has occurred, since early 1984, in the level of their company's public-affairs programs. Increases are reported far more often than decreases—though to a much lesser degree—even in those firms that report reductions in staff.

Judgments by participating executives about the precise amount and direction of change in their companies' efforts may not be wholly reliable. But they probably reflect shifts in emphasis reasonably well—changes in the attention paid to specific programs relative to others.

On this comparative basis, the various program areas fall into three groups:

—*Principal gainers:* federal government relations, state and local government relations, and public relations;

—*Principal losers:* international public-affairs, institutional advertising; and stockholder relations;

—*Middle group:* community relations, corporate contributions, investor relations, issues management.

This pattern of change is reported both by firms that have lost staff in the recent period, and by those that have added members or remained unchanged.

Getting Along With Fewer People

In more than half the firms reporting them, staff cuts have not been followed by a "significant" lowering in the level of the company's public-affairs effort, according to the executives questioned. Many, on the contrary, report that levels of effort have increased. Various explanations are offered for this seeming inconsistency.

One, as discussed earlier, is that needs have diminished. "We simply have no bottom-line interests at stake right now in Washington," one executive reports. A California participant comments: "The federal and state governments are downsizing. There's a plethora of bills, but most of them aren't going anywhere. And we can assume that the governor will veto any antibusiness legislation." A consumer goods executive sums up: "It is easier to tolerate staff reductions in today's climate."

A second explanation for sustained or higher levels of effort in the face of staff cuts is that staff had previously been needlessly large. A manufacturing company executive says: "We made so much money for so long that staff was allowed to grow far beyond our real needs. We became grossly overstaffed. Our new, leaner organization seems to be at least as effective in most public-affairs areas, and in some, more so. I wouldn't have believed that five years ago." Another participant, commenting on staff cuts in a neighboring firm, says: "They had layer upon layer before the reductions. One fellow would be doing the work, another sort of roved around, and a third supervised. Anyone walking into it could see it was crazy."

Third, the productivity of slimmed-down staff units has been raised in some companies, participants say. Most speak of longer hours of work, more sustained or intensive activity, and increased sharing of tasks. "All of our people have become more versatile—task capable," one public-affairs director says: "And unit heads are learning to do as well as to manage." Some also describe measures of organizational and procedural streamlining. These bear, typically, on all staff functions. They include the elimination of layers of

management and levels of approval. Xerox, for example, has instituted a quality-enhancement program that requires each department to negotiate and spell out in detail its relationship with, and obligations to, other departments.

Some companies claim to be achieving greater efficiency through decentralization. In some cases, this takes place through the actual transfer of corporate public-affairs staff members to operating units—in others, through the opposite course, increased centralization. One aim of the consolidation of field activities at Chevron, for example, was to increase staff professionalism and productivity. (See p. 17) Another, one of the company's executives says, was to eliminate a tendency among operating companies to head off on their own, to treat themselves as islands.

Greater efficiency is also achieved through computerization. "Our computer people interviewed all public-affairs members to explore possible gains through that medium," one participant reports. "The results: benefits to our grass-roots and shareholder-communication systems through cleaner and better mailing lists and more efficient mailing, tighter control over our contributions budget, and enhanced internal communications—practically eliminating the need to use mail services between corporate headquarters and our Washington office."

Fourth, effects of staff reductions are mitigated or overcome through increased use of other resources—internal, external, or both. Some companies are "pushing responsibility down" to divisions and plant operations. Others are bringing line and other staff personnel into more active service—though several also echo the view of a public-affairs vice president who says: "We're careful about that. They've had cuts too. Their plates are full to the brim. We don't want to distract them from their major purpose of making this company profitable." And some are making greater use of outside lobbyists, researchers and other consultants—in a few instances recently retired employees—as cost-effective alternatives to staff. "We are hiring more on a spot basis," a chemical company executive says. "I probably spend more money on the services of outside lobbyists—including a few who used to be employees—to help fill the gaps."

Fifth, activities that have had to be abandoned because of staff cuts are often said to be of little immediate significance. "We have reduced or eliminated 'nice-to-do' programs only," a company executive says. "Issues bearing on vital interests are getting as much attention as they ever did—often more, because we're paying more attention to identifying our priorities, shifting our focus from lesser to greater concerns."

Effects of Staff Reductions

Staff cuts *have* led to program curtailments, other participants assert. And some of those who at first indicated otherwise in their survey responses acknowledge, during personal questioning, that they have overlooked areas of retrenchment.

—An airline executive observes that public-relations staff reductions at line stations have cost the firm a significant source of intelligence—"unbiased eyes and ears"—as well as "anybody on location who can handle the media when crises occur."

—"Our video center, which put us at the cutting edge of that technology for internal, and some external, public relations, communications, was mothballed," a metals and chemical company executive says.

—A chemical company's public-affairs director reports that research and planning activities have been neglected as his chief assistant has had to devote much more time to plant closings. "He has been helping the real estate, personnel and management people deal with the media, with elected officials, and with community representatives of all kinds—putting it all together."

Certain costs are said to be hidden, and company vulnerabilities to have increased. "Our assignment was to take a fresh look at everything and to judge where risks could be taken with least potential consequence," one public-affairs director says. Speaking of its government-relations staff cuts, another comments: "They're not easy to quantify. But you know that you'll be in a far stronger position, on going in to see a legislator about an issue if you had long before that developed an informal relationship with that person, as we used to be able to do." Staff cuts have reduced government relations to "mainly a matter of inviting congressional people to visit our plants and handling PAC contributions," another reports.

"There is some loss of control when you push things down to the strategic business units," one vice president of corporate communications says. "Operating units now handle certain issues having corporate overtones, as well as local ones, when they see the need and I don't have the budget. We give them the guidelines and sit back and hope they do it well."

Even when public-affairs staff cuts are described as "across-the-board"—as they often are—program areas tend to be affected disparately as judgments are made as to which activities are essential, which deferrable, and which dispensable.

Every program area is affected in one company or another. A community-relations program is slashed by one firm in the belief that "the change will not be noticed." The public-relations program of another "no longer seeks press opportunities, but just responds." The minority community is no longer "singled out for attention," a number of companies report. A grass-roots program has been "weakened" at one firm, "abandoned" at another.

Many of those who report that essential programs are still intact are also concerned about the longer-term effects of skimping in less vital ones. The effects of a great deal of public-affairs activity, they note—company image-building, cultivating individuals who help shape public policy, maintaining community good-will, and so on—are intangible, and

often pay off in unanticipated ways. Any dimunition of activity raises the level of risk to the company. Management often understands that, they say, but not always.

Career Development and Succession Planning

One of the longer termed hidden consequences of operating with minimal staff, several study participants suggest, is that it becomes more difficult to train successors to key incumbents. A state- and local-government affairs executive at the headquarters of a California firm, speaking of his work and that of an associate in another region, says: "I think we're as effective now as before the cuts, because we're concentrating on the most important issues. I worry, though, about what will happen when we retire, which is not that far in the future. We've developed a very wide range of contacts and considerable understanding of how things get done in our states and communities. But there's nobody we can train to take over." An executive at a midwestern manufacturing company comments: "The reductions have left us without a 'bench strength' as far as future talent needs are concerned. We need to recruit and train five or six people—strong people—people in their twenties."

This problem can be mitigated to a degree, it is suggested, by bringing personnel with public-affairs duties under a corporate umbrella, or otherwise pooling or fostering interchange among them. Chevron, in a recent reorganization, transferred field people from operating companies to a central group that services all operations. In terms of human-resources development, two advantages accrue, a Chevron executive says: First, a larger group makes it easier to rotate jobs, institute other professional development measures and identify candidates for promotion. Second, it places hiring, assignment and promotion decisions in the hands of public-affairs professionals rather than line managers.

Chapter 4
Internal Roles for Public Affairs

THE FUNCTIONAL RESPONSIBILITIES of public-affairs executives bring them into a two-way advisory relationship with senior corporate and line managers: They contribute intelligence and analyses to operational decisions and strategic plans, and receive information and guidance for their own activities. Public-affairs professionals may also foster, assist or coordinate the direct participation of managers and other company personnel in public-affairs activities.

Table 7 shows that key components of such roles are performed—at least informally—by all but a relatively few public-affairs units. The larger the public-affairs staff, the greater the likelihood that participants will describe these corporate staff roles as "programmed, systematic, or ongoing." For example, only 37 percent of firms with fewer than five full-time professionals in public affairs monitor and analyze developments in the business environment in such a manner. This ratio increases to 43 percent among firms with five to nine public-affairs staff members, to 63 percent among those with 10 to 29, and to 81 percent of those with 30 or more. Similar differences apply to each of the roles shown in Table 7.

Top Corporate Committees

Much of the public-affairs internal staff role is performed through committee mechanisms—top company-planning councils, special committees and task forces, and public-affairs committees of boards.

Allied-Signal's Senior Vice President for Public Affairs gives an example of his role on such a committee: "The Management Committee meets monthly. Among its members are the presidents of our five sectors. Each has a director of public affairs, with a direct-line relationship to the sector head and a dotted-line relationship to me. These presidents and I share responsibility for the stewardship of the public-affairs functions in their business units. Let's say a proposal is coming before the Management Committee for a new investment by one of the sectors. Before the next meeting of the Management Committee I would expect to hear from the sector's public-affairs person about the government-relations and public-relations implications of the proposal. In that way, when it gets to the Management Committee I would not be raising questions that would require the sector head to go back for answers—and thus delay approval. By the same token, the sector presidents can call on me at any time for help, including consultation about the performance of their public-affairs people."

Formal membership in the highest councils and planning committees of the firm is highly valued by senior public-affairs executives, but such representation is by no means universal. In the absence of membership in top planning groups, other communications mechanisms evolve. "We are not formally involved," one public-affairs director says, "but I meet once a month with the head of strategic planning. He helps me to understand where the company is going, and I raise issues I think may be pertinent." Close working relationships are also reported by some firms between issues-management specialists and top company staff planners.

Public-Affairs Committees

Special public-affairs committees, which are sometimes subcommittees of executive committees or other top corporate-planning groups, also exist in a number of companies. A few of those studied came into being only within the past year or two. Speaking of such a group, one public-affairs executive says: "It's where we get together for a couple of hours each month with top management to talk about a variety of things—important issues that have come up since we last got together, updates or discussions of operations and methods. At one recent meeting, we reported on our community-relations program; at another, on corporate contributions, and so on. It's amazingly rewarding. We get calibrated with management's thinking, get them involved, and get quite a lot of guidance and useful advice."

In the eyes of one public-affairs director, the greatest damage from recent retrenchment and reorganization measures, was the dissolution of a high-level public-affairs committee: "It served as a medium of information flow to top corporate and operating management. Decisions with public-affairs implications are now being made with insufficient information, and it shows," he comments.

Task Forces and Special Committees

Task forces and special committees are present in more than two out of five of the surveyed companies, and two in ten say that such groups have grown in importance during the past two years. Task forces are usually created in order to bring diverse internal expertise to the consideration of new issues, while committees tend to deal with issues of continu-

Table 7: Corporate Public-Affairs Staff Roles

	Kind of Effort			
	Programmed, systematic, or ongoing	*Informal, ad hoc, or as needed*	*Not a corporate staff role*	*Total*[1]
Program planning and development				
Formulate public-affair goals and priorities, and develop public-affairs plans	69%	24%	7%	100%
Monitor and analyze the political, social or economic environment in which the company operates	53	39	8	100
Participate in corporate strategic-planning processes	44	39	17	100
Draft position papers and policy recommendations for top management on public-policy issues	40	49	11	100
Other internal roles				
Communicate information about company policies, positions and public-affairs plans to managers and other company personnel	67	30	3	100
Assist top executives involved in public-affairs activities—helping or preparing them to testify, meet with public officials, carry outside organizational duties, etc.	49	48	3	100
Organize or stimulate employee participation in community groups and activities	39	39	22	100
Work with board or management task forces or committes having public-affairs missions; or with employees who have monitoring, outside contact, or similar duties	36	48	17	100
Organize or select employees for letter-writing or other communications or lobbying efforts	30	55	15	100
Other program implementation roles				
Represent the company in activities with trade associations, other business organizations, ad hoc consortia, etc.	71	27	2	100
Lobby or convey company views directly to legislators, legisiative staff members, other government officials	63	25	12	100
Employ and manage relations with private outside resources — research firms, consultants, lobbyists	48	42	10	100
Represent the company in relations with government agencies (SEC, FTC, etc.)	37	35	28	100
Represent the company in activities with international bodies like the United Nations, European Economic Community, World Health Organization, etc.	5	20	75	100

[1] Details may not add to 100% because of rounding.

ing or intermittent concern. The terms are often interchangeable, however.

General Mills' Vice President for Public Affairs describes a committee that was created recently in connection with the discovery that a pesticide used by grain handlers as a fumigant was potentially carcinogenic. "This was an issue that crossed departmental lines. We recognized that actions contemplated by government relations, legal, corporate communications, quality control, or operations groups would have consequences in others areas and needed to be unified in order to have a coherent corporate strategy. So we put together an interdisciplinary team of legal, business, political, scientific and communications people chaired by a member of top management—in this case the Vice Chairman—to develop a strategy that would guide each of their functions but not be inconsistent with the strategies of the others. As long as mechanisms like this exist, conflicts between units are minimized and organizational confusion avoided. In addition, we found that the quality of particular functional strategies was improved."

Public-affairs units normally provide staff support to task forces and special committees, but occasionally play a managing role as well. "We typically gather and circulate information about an issue to members, ask for their input, and then hold sit-down sessions to establish its significance to the company and to develop a position," the top public-

affairs executive at a manufacturing firm says. "We really quarterback the activity. If I'm not satisfied that the members have done their homework, I tell them to go back and read report X or attend meeting Y or talk with Z—to prepare themselves properly."

Such groups have been formed in a number of firms recently to plan and coordinate the various tasks associated with large-scale staff cuts. The tasks include communicating with employees ("fully, factually and calmly, so they know exactly what the plans are," one executive says), managing the social and political problems that may arise in the states and communities affected, dealing with the media, and arranging transitional assistance for those directly involved.

Board Committees

Committees of boards of directors with public-office responsibilities, present in nearly a fifth of the surveyed companies, are also usually charged with an oversight role. Speaking of such a committee, one Senior Vice President for Public Affairs says: "I report to them twice a year on what we are doing and what the areas of special sensitivity are. On a third occasion I report to them on our contributions program. We also make special reports to them on important problems that arise during the year, some in the environmental area."

Participation by Other Managers and Staff

"The era of the twentieth-century business-statesman is over," one senior public-affairs executive believes. "It is a casualty of managerial preoccupation with foreign competition, depressed earnings, takeovers, buyouts and strategic planning, plus a shortage of internal support staff." Whether this executive's prognosis is borne out remains to be seen. For now, public-affairs participation has become more common than ever among managers and non-public-affairs professionals: In some cases, it includes direct external involvement.

Four out of five of the firms taking part in this study report that personnel in their companies, other than public-affairs professionals, are assigned regular responsibility for monitoring external developments in particular fields or areas, for maintaining outside contacts, or for similar duties. Several classes of company personnel may be directly involved.

—Senior executives, in addition to their managerial duties, may grant interviews to news media, testify before legislature bodies, serve on governmental commissions or on boards of business groups maintaining contacts with influential individuals, or speak before outside groups.

—Line or operating managers may, in their localities, and states—and for their special product lines—play a role analogous to that of senior corporate management.

—Professionals may be asked to monitor developments in their special fields, to interpret the significance of technical developments, and to serve otherwise as expert resources for public-affairs management. "To develop testimony for a congressional committee, I have first to go to the law department or our environmental people," one participant comments.

Others in the company's various facilities may be expected to maintain contact with local officials and legislators and on occasion to convey company views to them (See box.) These assignments are generally features of grass-roots programs, through which employees as a group may also be called upon from time to time to contact or write letters to legislators.

Such a program was recently introduced, for example, by a communications company following the transfer of all operating-unit public-affairs personnel to a centralized corporate department. Operating personnel, an executive of this

Key Contacts At Pacific Gas and Electric

Augmenting public-affairs staff in legislative and community relations at Pacific Gas and Electric Company are a corps of employees with after-hours "contact" duties. Managing this program is the key responsibility of regional public-affairs managers. A company executive describes this program.

—*The key contacts:* "Twenty to thirty people in each region have key contact duties in addition to their primary ones. Such a group might include a gas superintendent, an electrical engineer, a marketing representative, a customer-service representative, community-conservation representatives, and others.

—*Duties:* "Some key contacts are assigned to state or federal legislators—or, more accurately, to their district offices—others to city or county offices. In the case of a large county, one person might cover the board of supervisors, another the planning commission. The idea is to monitor, get to know the people, and represent the company at every level of government.

—*Basis of assignment:* "People volunteer on rare occasions, but normally the duty is assigned—to people who can listen, are level-headed and even-tempered, can understand what's going on, and can report back in a timely way. They are counseled as to the importance of the assignment and informed that it is an important segment of their career development. Employees are usually with the company for a year or two before being asked to represent PG&E before a legislative body.

—*Training:* "Key contacts who will be going to meetings of city councils or boards of supervisors are given formal training. It's basic material that isn't taught in high school, college or graduate school—how to read an agenda, tell the difference between a consent and a timed-item agenda, get on the agenda, address the chair, ask permission to speak, or get a postponement. Subjects include development of a government budget, how do you conduct yourself at a fund raiser, how do you greet a candidate for public office and what do you discuss after you say 'hello.' It's training in the practical side of politics."

firm says, are now expected to implement "face-to-face contact programs" in their communities and are being specially trained for this new role. A number of companies report, too, that they have recently expanded existing programs—in at least one case, overseas (See box).

All in all, more than 40 percent of the surveyed firms report that public-affairs activities by personnel with primary duties in other areas has increased during the past two years. Only one firm reports a decrease.

One explanation given for this trend is that the forces that have stimulated the participation of senior corporate executives and operating-unit managers for many years past continue to operate. Two of these are identified by Hewlett-Packard's senior public-affairs executive. "Operating-unit managers have been given more responsibility for monitoring and participating in state and local government affairs, for corporate philanthropy at the regional and local level, and for participating in press conferences, interviews and other media relations. Top corporate executives are devoting more time and attention to media relations, lobbying, participation in the work of trade associations, speech making and philanthrophy—to public affairs in general. This greater involvement by managers at all levels is being driven by the company's increased size and visibility, and by the increasing interaction of business with government, education and other institutions."

New issues that require more attention from management have emerged for some companies. "Lagging economic development" in a midwestern state has "oriented the CEO" of one state bank "to public affairs." In a pharmaceutical firm, "increasingly important roles are being taken by financial, tax, patent and risk-management personnel" in connection with federal legislation. Numerous other instances are cited.

International Grass-Roots Networks

Trying to manage public affairs activities overseas has proved vexing even to some firms that rate their handling of domestic issues very highly. The senior public-affairs executive at one such company says: "International is very hard to get a handle on. In a diversified company, you have as many as twelve different operations in a single country. Many of them you've acquired. They don't have the same names. So who speaks for you in France or England—or some other country? Who is watching out in that country and will even warn you of something coming up that affects your interests?"

This company, and others in similar circumstances, have been identifying line and staff managers at overseas facilities who have a taste and talent for public affairs—much as they have in creating domestic grass-roots networks. Such individuals are given some training and often organized into country committees. These, again, are analogues of state groups created by some firms in multiplant states within the U.S. Countrywide meetings of general managers, addressed by the CEO or other top executives, may be held within countries to develop or foster corporate identity and esprit de corps, as well as to explain company policies, positions and plans.

Fostering Greater Managerial Participation

Levels of managerial participation are said to be low in many companies, and some public-affairs professionals complain of lack of support for training and other programs they have proposed to remedy the situation. One, noting that his firm's CEO carries the whole burden of representing the company in Washington, and that "too many decisions are still being made without regard to political sensitivities and reactions," says: "We still don't have the support we need even for a quick and dirty training course for senior managers on what the political process is all about."

A leading natural resources and manufacturing firm recently adopted several measures to help senior managers understand public policy and to increase their participation in public affairs. A senior vice president of the firm, responsible for public affairs, says that a variety of circumstances contributed to this move: The firm's CEO, on becoming Chairman of a Business Roundtable task force, was less available than in the past for other outside involvements and may have required more public-affairs staff support. At about the same time, several critical issues for the company arose both in Congress and in several state capitols. The latter are seen as "increasingly important centers needing major company attention." Finally: "Experience with a chlorine leak accident brought recognition of the need to prepare managers to deal with crises."

The principal new measures are:

—*Executive Resource Program:* The United States has been divided into six regions and a senior executive assigned to each. This executive serves as the firm's outside representative—and substitute for the CEO—representing it at legislative hearings and public events. "These six people travel extensively meeting with employees, individually and in groups, and explaining company policies, positions and plans."

—*Task Forces:* With a public-affairs staff member serving as secretary and information resource, task forces are being created for major public-policy issues: Their members are "managers whose programs and careers are most at stake." Previously somebody in Washington would handle the problem, independently making whatever inquiries and contacts that individual thought were needed. In a similar move, operating people were brought onto the Contributions Committee for the first time.

—*Crisis Management:* Two new measures were instituted to help managers deal with crises. First, "they were brought together in four parts of the country and put through realistic and authentic training in dealing with the media." Second, they have been given the Chairman's home phone number—the apex of a "telephone tree." When crises arise, operations managers "can go as high as they need to through the branches of the tree to get someone who can make a decision."

Chapter 5
Corporate and Divisional Relationships

ALL BUT A FEW of the firms participating in this study have operations at a number of locations. Most are organized into product or regional divisions. Often, corporate public-affairs departments in these companies have staff members whose duties include, or consist entirely of, service to particular divisions or other operating units.

The lower-level units may also employ public-affairs professionals of their own. Over two-fifths (44 percent) of the companies in this survey report that full-time public-affairs personnel are present at one or more of their divisions. Public-affairs responsibilities are assigned as a part-time duty at another 21 percent. In the remaining 35 percent, the duties are usually assumed by line management, by other personnel as needed, or by both.

Operational Responsibilities

Persons with public-affairs responsibilities at operating units, whether they are line managers or staff specialists, usually limit their efforts to issues specific to the unit's products, operations or locations—corporate staff members dealing with shared, or overarching, problems. One participant reports: "Public-affairs people at our major operations handle their own public relations. But they know that on supersensitive issues, like the fight we've been through recently to keep control of the company from a group of raiders, inquiries have to be channeled to corporate public relations for proper control and response."

Similarly, the corporate offices of many firms in Washington take responsibility for divisional as well as companywide interests, even in those firms having a strong unit-level public-affairs organization. "The only people who can lobby in Washington on behalf of any unit are people in my organization," a corporate public-affairs vice president says.

State relations, too, may be shared in two ways. First, responsibility for a firm's headquarters state may be assigned to corporate staff. All other states will be managed by appropriate divisional or operating-unit management. The corporate staff unit may also represent what one executive calls "the broad interests" of the company among organizations with multistate concerns, while operating-unit personnel manage their more parochial interests in their particular states.

Other Corporate Staff Roles

Regardless of how responsibilities for external relations activities are shared, the corporate staff usually assists the firm's operating units in their planning and programming activities. It also helps coordinate their activities—and often exercises a degree of oversight or control. These corporate staff roles, and the frequency with which they are found among the surveyed firms, are shown on Table 8. Corporate staff participation in any of the activities of lower-level units is most likely to occur—and to be more programmed, systematic and ongoing—where the unit's public-affairs staffs are present full-time.

Advice and Assistance

Advice and information service is the most common aid provided by the corporate staff. This assistance takes the form of recommendations about outside resources, research data on issues, the provision of internal communications, media and public-relations services, counsel on planning and on political strategies, as well as other forms of help. The corporate staff in at least one company views operating subsidiaries as its "clients," and is organized for service to them.

The public-affairs head of a manufacturing firm says: "We may sit down with divisional people who ask for help and talk about their planning. If we think they are not perceptive enough to know how to do so independently, we educate them on how to set goals and strategies, consult with them on what the issues are likely to be. In some instances, we even send our people to conduct surveys in their communities, or to open up channels of communication with local agencies." Another senior public-affairs executive reports: "We have regular communications media—a government-relations manual that goes to all operating units and is periodically updated; a community-relations manual that details issues, and the company's posture in that area; a bulletin on federal issues (what's happening in Washington) that goes to about 400 managers around the world. An issues paper that discusses specific issues and tells what the company's position is—as approved by the chairman: It insures that everybody understands what the most important issues are and what the company line is.

Table 8: Corporate-Staff Efforts vis-a-vis Lower-level Units (i.e. Divisions, Plants, Other Operations)

	Kind of Effort			
	Programmed, systematic or ongoing	*Informal, ad hoc, or as needed*	*Not a corporate staff role*	*Total*
Provide lower-level units with advice, special studies, and information on public-affairs matters	35	56	9	100%
Foster coordination of public-affairs activities among lower-level units	30	46	24	100
Monitor and appraise the public-affairs activities of lower-level units, and review conformity with corporate policy	30	37	33	100
Review and evaluate public-affairs plans of lower-level units	22	28	50	100
Provide lower-level units with public-affairs training	18	42	40	100
Participate in the strategic-planning processes of lower-level units	18	39	43	100

"We also have daily contact with operating-unit staffs as things are happening. When the Arizona legislature is in session, for example, our people call us regularly to tell us what is going on, and to ask for advice on how to deal with something, or for information on what is happening in other states with regard to a particular issue."

Plans Review

Public-affairs plans of lower-level units are reviewed and evaluated by corporate public-affairs departments in about half of the responding firms: Nearly half of these, in turn, characterize the process as "programmed."

Corporate review may be merely advisory. It is often a means, however, of ensuring both top-level control and the proper integration of corporate and operating-unit plans. The following three-stage planning procedure, for example, is reported by several participants.

(1) The corporate public-affairs director sends to the heads of all divisions a set of principles and corporate objectives for the coming year, and requests that goals, specific implementing activities, and budgets be submitted in accord with them.

(2) Divisional plans are submitted and reviewed by corporate public affairs. Modifications are suggested and revisions negotiated.

(3) The divisional plans and budgets are consolidated and submitted first to the executive (or comparable) committee, which may call for further modification, and then to the board of directors.

Allied-Signal is one of the minority of firms that practices corporate-level review of divisional plans. These are prepared once a year and reviewed by the top corporate public-affairs executive before being submitted to the sectoral heads involved.

Plans for dealing with special interim problems are also required, and may be subject to corporate review. The firm's Senior Vice President for Public Affairs illustrates: "If a plant shutdown is coming, for example, the operating-unit people will also prepare a detailed plan. It will include everything from a timetable to exactly what will be said and by whom—an examination of the sensitivities involved, questions likely to be asked and their answers, and assignments of company personnel. We will review the plan and return it to the operating unit with our input. Frequently, corporate-government and media-relations people will help carry out the plan."

Corporate staff at some companies find it must be alert to potential internal conflicts of interest in matters of public policy and to pursue their resolution. In one public-affairs director's words: "It's our job to bring the issue to a head, decide what we want to do as a company, see if the matter can be resolved informally, but bring it all the way up to the board level if necessary." An executive at a firm with both coal and oil interests says: "Interdivisional conflict doesn't come up often, but when it does, it's usually important."

Principles of decentralization are so entrenched in some companies that no attempt is made to resolve such conflicts. "Management's attitude," a public-affairs executive at one such firm says, "is 'let them fight it out, and may the best man win.'" More commonly, an effort is made to determine where the best interests of the corporation lie and to require conformity with a policy based on this determination.

Oversight

Reviewing annual plans is one of the ways by which top company public-affairs managers monitor and appraise the activities of lower-level units, a role they perform in two-thirds of the participating companies. It is a role carried out through meetings, reports and in the informal relationships of daily working relationships.

One public-affairs director illustrates this point, noting: "We conduct formal reviews every two years. But we are also in regular contact. I dare say there is no divisional public-

affairs person who doesn't visit us at least once a year. We also have periodic meetings of all company people, so we know what's going on. When we see the need, we take the initiative and build a few fires. Divisional heads have no accountability to us, but we do have a very strong network. Everyone knows where I sit—that I go to all the general managers' meetings and all the executive management briefings. If they don't, because they are new, we make a point of telling them. They are not knowingly going to get into political crossfire."

Coordination

Coordination of public-affairs activities among lower-level units is a corporate staff role in four-fifths of the participating firms. A sizable minority of them describe it as a planned and ongoing activity.

Personnel responsible for public affairs at divisions and operating companies meet, at least occasionally, in four out of five of the surveyed firms—and at regular intervals in half the cases. The purpose is to exchange information, consider common problems, and plan the sharing of resources. More often than not, such meetings are initiated by corporate public-affairs departments: This unit does not participate at all in only one firm. These meetings often provide a useful mechanism for corporate assistance and oversight to operating-unit activities, as well as coordination.[1]

"We are going to have one of our periodic meetings—we call it a public-affairs conference—next month," one high-tech firm's senior public-affairs executive reports. "Forty or so people from our operating units will attend. Two will probably be from Europe, two from Canada, and one from Mexico—the rest from the United States. About 25 percent are full-time public-affairs people, 75 percent have dual responsibility—half-time or a little more for public affairs, the rest of the time, more often than not, for human resources."

Written reports are also used in various ways for information exchange and coordination. For example, some firms require that those with public-affairs duties in operating companies send periodic activities reports to the corporate head of public affairs and to their own management. In at least one company, the corporate staff compiles a summary from reports submitted by the divisional directors of public affairs of activities conducted during the past week and those planned for the coming one. Turnaround is said to be fast, the corporate report usually getting to the divisional people—as well as to the firm's CEO—on the following Monday.

[1]Coordination may be at state or regional, as well as national or international, levels. An oil company, for example, has a network of area coordinating committees, managed by regional public-affairs staff. A company executive says: "They get together on a pretty regular basis to coordinate things. The issues range from strategy in an important legislative battle, to making sure that if one operating company has contributed to Future Farmers of America, another doesn't come behind it and do the same."

Coordination is often achieved informally. "The public-affairs heads of our three operating companies are just down the hall from me—two in one direction, one in the other. We're in and out of each others' offices daily," one corporate public-affairs director says. Another comments: "Demands on our time are too great for specially planned meetings. Yes, there's coordination, but it's done by handwritten notes on the margins of memoranda, phone calls, and the like."

Whether on the basis of corporate or operating-unit initiatives, a majority of the survey participants report that liaison and cooperation among lower-level public-affairs units have increased since early 1984. Only four firms indicate a decrease in such coordination.

Training

Some kind of public-affairs training is provided to operating-unit personnel by corporate public-affairs staff in three-fifths of the companies studied. The training often consists of individual coaching or orientation for personnel newly assigned to public-affairs duties. Discussion of appropriate training methods has a prominent place at meetings of corporate and divisional staff. PepsiCo's Vice President for Public Affairs reports, for example, that: "The media-relations people and editors of our divisional house organs got together for two days recently to talk about techniques—from the use of satellites for press conferences, to the technical side of producing a publication, to ways of getting publicity."

More formal approaches are described by a manufacturing company's vice president for public affairs. "Some part of our company's resources is devoted to training. A two-or three-day middle-management development program, offered around the world, includes an hour or two on public policy. We develop the curriculum. We do the same for the public-affairs component of development courses for managers at higher levels. These include programs at Exeter, Andover and Aspen. The Exter program, conducted on campus, is a four-week program. One week is devoted to public policy. We have a substantial input in that week's program and many of us speak at it.

"Then we have what we call 'dedicated courses,' in-house, for operating people who have to take on increased outside responsibility. They may be about to chair a local committee or to become more active in community affairs. We put them through a two-day course, for which we are the faculty, in how to deal with the outside world."

Changes in Staff Size at Operating Units

The proportion of the companies' operating units—its divisions, plants, subsidiaries and other operations—employing public-affairs staff increased during the past two years at 28 percent of participating firms. It decreased at 13 percent and remained unchanged at the rest. The total number of staff members employed at the operating-unit level grew about twice as often as it declined.

Executives at firms that have cut corporate staff in recent

years often say that responsibilities have been "pushed down" to the operating level. Only one in five of surveyed firms that have lost corporate staff members, however, report growth in numbers of public-affairs personnel at lower organizational levels. Twice as many say that staff also declined at operating levels. Nor does it seem likely, in most cases, that line managers or staff personnel with other duties are picking up the slack. As one corporate executive notes: "We are now so thinly staffed throughout the company that all our line people can hope to do is their own basic job."

Half the firms that report recent public-affairs staff growth at the corporate level say that increases have occurred at the operating-unit level as well. Only a few report staff reductions at lower-level units.

Staff growth at the operating level is explained about a third of the time on the basis of a top-mangement decision to decentralize public-affairs activities in some manner. One respondent comments: "Groups and strategic business units are now handling their own media events, even major ones, like a recent joint-venture press conference. We said: 'We will advise you, help you in any way we can, be there in case some corporate spokesmanship is needed—but you do it.'"

"We have a big move under way to increase our capabilities for meeting state and local issues in our operating units," a manufacturing company executive says. Equally often, lower-level staff growth is said simply to reflect an increase in the number of the company's operating units as a result of mergers, acquisitions or other factors. In about half the cases it is explained by a decision to increase the scope of activities at the units involved.

Decreases are also accounted for at some firms by a general centralization of staff functions; in others by divestitures or other restructuring. The rest, however, attribute it to retrenchment and downsizing.

Chapter 6
Outside Resources

PRIVATE OUTSIDE RESOURCES—in particular firms and consultants offering services in media relations, environmental monitoring, social and economic forecasting, public opinion measurement, lobbying, program planning, or related matters—have been employed at some time during recent years by nearly all of the firms surveyed. The kinds of services used by these companies, the proportion using each during the past four or five years, and the manner in which they have been used, are shown on Table 9.

There are two primary reasons for the use of such services. First, outside firms and consultants offer access to talents not available in the company and needed only occasionally—or on a less-than-full-time basis. The need, participants report, may be for:

—Highly specialized skills: "The only way we can obtain access to key policymakers is with outside experts; new problems keep coming up that we don't have the in-house ability to handle."

—Temporary needs: "It would hardly be cost-effective for us to employ more people than we need most of the time in order to handle crises or other peak period needs."

—Geographic coverage: "Our public-relations firm has representation all over the world. Even where we have the necessary competence among our people, we don't have enough arms and legs."

Second, using outside help is sometimes seen as a better investment—dollar-for-dollar—than adding in-house staff. "We are finding some good people out there, particularly in the lobbying area. If you have someone who knows his or her way around a state capitol and is doing a good job, why spend a lot of money for another staff person who may achieve a quarter of the result?"

This kind of reasoning is questioned by some public-affairs managers, who urge that cost-benefit comparisons not overlook deferred rewards. One comments, for example: "A company that tries to farm out its government-relations responsibilities will just never be good at government relations. Too much depends on personal relationships, and these take time to develop. Consultants, too, just cannot represent the heart and soul of my company. Investment at the state and local level have long-term as well as short-term payouts, since many legislators and city council people you get to know wind up as members of Congress in a few years." Similarly, a senior vice president at a major bank suggests that "a company's traffic to Washington—the trek each week to visit with dignitaries, regulators, people at Ex-Im Bank and the Fed"—can be controlled and coordinated better with a permanent staff presence there than through an outside firm.

Relation to Staff Size

Outside services are not used merely, or even mainly, as an alternative to in-house staff. On the contrary, the larger a company's public-affairs staff, the more likely that it will employ consultants or private firms for certain kinds of services. Lobbyists, for example, are used somewhat more often by firms with large public-affairs departments than by others. So, too, and with a wider difference, are firms that conduct opinion and attitude polls: 88 percent of firms with 30 or more public-affairs employees did so during the past four or five years as compared with 60 percent of those with fewer than five people.

Recent Change in Use

One company in five reports the increased use of some outside resource during the past two years; only a handful report decreases. (See Table 10.) Increases were most common for those services related to lobbying or other government-relations functions, and public relations—though growth in the use of outside firms for public-opinion polling and related research was not far behind. The service area for which gains were slightest—and virtually offset by declines—was monitoring for political, social or economic change in the United States and foreign business environments.

The use of outside resources has been affected by the same currents of change as have influenced changes in internal staffing. The executives questioned account for change in terms of cost-reduction programs ("no costs were excepted"); changes in need ("deregulation has led to greater media interest in the company"); personnel changes ("the new CEO is placing more emphasis on financial communications"); reconsiderations of need ("we were awash in legislative information"); disappointment with quality ("we were getting too little, too late"). The two-member public-affairs staff of one company was eliminated after a leveraged buy-out and

Table 9: Company Use of Outside Resources During Past Four or Five Years

Kinds of service	*Never or rarely employed*	*Employ on project basis, as needed*	*Employ on annual or other retainer*	*Total*
Federal government relations:				
Lobbying or communications	31%	38%	31%	100%
Legislative monitoring	42	26	32	100
Regulatory monitoring	49	26	25	100
State or local government relations:				
Lobbying or communications	38	36	26	100
Legislative monitoring	47	27	26	100
Regulatory monitoring	59	26	15	100
Political, social or economic monitoring and analysis of...				
U.S. business environment	61	29	10	100
Foreign environments	72	22	6	100
Communications	21	45	34	100
Public and media	21	45	34	100
Investor and financial	43	33	24	100
Surveys of public or of special groups	26	66	8	100
Public-affairs program planning, development or evaluation	47	46	7	100

replaced by the law firm of the acquiring group. Greater use of survey research is being made by another in the hope of averting "more unpleasant surprises."

Companies in deregulated industries, such as the new firms created by the AT&T breakup, are striving to become better known and to achieve "image" goals. These are prominent among firms that report increased use of outside public-relations services. Such firms have also increased their research commitments. "We are now doing a lot of tracking studies on our image recognition: How many people know us? Who are they? What do they know about us?", one corporate communications vice president says. "These studies include examinations of our image among 'thought leaders'—legislators, educators, writers."

Relation to Staffing Change

Company investments in public-affairs personnel, and in external consultants and services, have often moved, if they have changed at all, in a parallel fashion—increasing or decreasing together with changed perceptions of need, willingness to assume risk, and other factors.

Table 10: Changes, 1984 to 1986, in Company Use of Outside Resources[1]

Kinds of service	*Increased*	*Stayed about the same*	*Decreased*	*Total[2]*
Federal government relations:				
Lobbying or communications	30%	67%	3%	100%
Legislative monitoring	21	77	2	100
Regulatory monitoring	12	86	2	100
State or local government relations:				
Lobbying or communications	26	71	3	100
Legislative monitoring	21	76	4	100
Regulatory monitoring	15	84	1	100
Political, social or economic monitoring and analysis of:				
U.S. business environment	11	86	3	100
Foreign environments	10	87	3	100
Communications:				
Public and media	32	60	8	100
Investor and financial	24	68	8	100
Surveys of public or of special groups	24	72	4	100
Public-affairs program planning, development or evaluation	17	82	1	100

[1] Period covered is two years from Spring of 1984 to Spring of 1986.

[2] Details may not add to 100% due to rounding.

In some firms, however, one type of resource has tended to take the place of the other. Most prominent has been a substitution of outside services for company personnel among firms that have reduced their staffs since 1984. For example, an increase in the use of public-relations consultants is reported by nearly a third of such companies, that of polling services by about a quarter, and of lobbyists by about a fifth.

Corporate-Divisional Shift

A few companies report decreases in the use of certain kinds of outside services at the corporate level but a growth at operating levels. At Xerox, for example, outside services involve one key supplier and consists of information about political, social and economic conditions in countries around the world and judgments as to their implications for company plans and strategies. A Xerox executive explains the change: "Under the 'Quality Process,' now several years old at Xerox, and amazingly well-institutionalized, all staff functions are viewed as suppliers. The nature and terms of their services to all their customers in the company must be negotiated and made explicit. When a department requires something that we can't provide or pay for, we recommend an outside resource—offering, too, to coordinate the relationship. As a result, the consulting firm I was using alone now has several times as much business with the rest of the company as it does with me. We have gotten tremendous leverage out of the process."

Changes in Use

A number of companies report that their arrangements with outside suppliers have recently changed—that they have shifted from annual retainers to individual project agreements, which they regard as more cost effective. One communications vice president says: "The change is remarkable. Just a few years ago public-relations firms would deign to accept your account. Now the largest of them will take you on a project basis." Lobbying firms in Washington, another participant notes, also "used to insist on the whole job, but now allow you to cherry-pick."

A leading consumer goods firm, for example, recently shifted from the use of one Washington firm, which provided "all-purpose lobbying support" to the selective use of consultants. The issue: A change sought by the company in trademark law. According to the firm's vice president for public affairs, four consulting firms and a trademark expert were retained, "chosen after a careful analysis of the nature of the problem and the kinds of services we needed." They were assigned, variously, to work with key members and subcommittees of the House of Representatives, the Patent and Trademark Office, the Justice Department, and the White House. "The change we wanted was enacted in a remarkably short time for an issue that had no big constituency," the same executive comments. "No single Washington firm could have put pressure on all the vital points. This was a case study on how to use outside resources. It was expensive, but if you really want to get the job done, that's the way to do it. The director of the Washington office and I periodically called the group together and were in control of the basic strategy. Members of the team were assigned specific jobs and their work was followed closely. We orchestrated the whole thing. You have to know where to go to get the right people and have to be professional and knowledgeable enough to earn their respect so that they will take direction from you. I would rather have the budget for this kind of thing than build a large internal staff required to handle anything."

As planners quickly learn, relationships tend to be perpetuated once initiated. One firm recently employed a PR firm—"for the very first time, at the corporate level," its head of public affairs says—to assist it in a take-over effort. This executive adds: "Now that the campaign is over we're trying to figure out what to do with them. I've recommended that they be made available to our operating companies for help on environmental and other issues. Having started with them on an annual retainer, I think the relationship will be long-term."

Relations With Trade Associations

Relations with trade associations and other business organizations are also changing. While some of these groups are growing and representing their constituents with increased effectiveness, other have been having a hard time maintaining levels of support.

Lessening support has several causes, general cost-reduction programs probably being the foremost. "We are in fewer organizations today than last year and are looking for ways to cut back further," one executive says. And, the vice president for public affairs at a leading manufacturing firm says: "One by one, we are zeroing in on the organizations that we really want to belong to. We are asking: Are they in concert with the things that are really important to us? What do they provide for us? We are dropping out of many, but joining others—organizations that are clearly focused on our problems."

With their own internal staffs cut, some firms are looking to their trade associations more than ever for help, even as they have reduced their support and often get fewer services than they would like. "We can't look to them to compensate for all our staff reductions," the head of public affairs at one high-tech firm says.

Business organizations and certain trade associations are also suffering the effects of mergers and acquisitions. First, the support given them by the new and larger firm is rarely equal to the combined contribution of the components. Second, mergers sometimes strengthen internal public-affairs capabilities and reduce the importance to the company of trade-association resources. Third, with diversification and an increased variety of products or services, corporate interests in public-policy matters sometimes take precedence over the more parochial interests of operating companies.

Consolidations are reducing the political influence of some industries in other ways, too, a public-affairs executive observes: "Mergers and acquisitions in the oil industry—and, right behind it, in the chemical and paper industries—do not only involve less support for trade associations. They have meant fewer Washington offices as well—and a general decline in the presence of those industries in that city."

New Coalitions

Temporary business alliances, built around specific issues, have also become more common in recent years. One such business group, for example, brought important support to the recent federal tax-reform bill. This coalition was comprised largely of firms with high effective tax rates.

Other coalitions—some highly structured, others more loosely knit—have been addressing themselves to specific provisions of the tax code, to environmental issues, to trade issues, to tort reform, and so on. Single-issue coalitions are being created at the state as well as the federal level. Groups of multinational companies, for example, have jointly retained law firms to lobby against the unitary tax in California and Florida.

A pharmaceutical company executive, noting that the number of firms in his industry with representation in Washington has grown in two decades from five to over twenty, observes: "Similar growth at all levels of government—federal, state, and local—has fostered the creation of these coalitions."

Chapter 7

Appraisals of Program Effectiveness

ASKED TO APPRAISE their effectiveness, relative to company needs, respondents give good or passing grades to most of their program areas. Fewer than a third, however, consider any of them to be excellent, while many rate various programs as poor, or no better than fair (Table 11).

International public affairs, least often an assigned responsibility, and a principal loser of staff attention in recent years, heads the list of areas given a high number of low ratings. It is followed by institutional advertising—also not often assigned, and also a recent personnel loser—and by issues management. Public-relations and investor-relations programs are most often given high ratings, least often poor ones.

Program effectiveness is judged no more critically at firms that have lost public-affairs staff in the recent past than at those where it has grown. But current staff size does make a difference: The larger a company's public-affairs staff, the better the marks it gets in most program areas. Investor relations and stockholder relations, exceptions to this rule, are given high ratings by those in all staff-size groups.

The material that follows is a summary of changes participants would like to see made in the interest of increasing program effectiveness.

Program Resources

Staffing shortages or deficiencies are mentioned most often, and not only by firms that have lost public-affairs personnel in the recent past. Government relations heads the list of program areas said to be understaffed. Also mentioned with more-than-average frequency are public and media relations, community relations, and employee relations. Investor relations is the only program area not thought by any to be understaffed.

Staff increases are proposed by some for all overall program enhancement—not to strengthen particular program areas. Others see them as essential to improved internal liaison—with top management, operating companies, and others on corporate staff—or for better planning. A few see a need for better rather than more staff; others are concerned about what one calls "bench strength" for meeting future needs.

Heads of staff functions rarely feel that their share of corporate resources is adequate, and public affairs is no exception. "It's getting more and more difficult to cut through the clutter of everybody else's communications," one public-affairs director says. "Most of our senior executives come out of engineering, law or finance. They don't understand this. We happen to be at a stage, too, in which communications are especially important to our company. But my pitches fall on deaf ears."

Corporate Planning and Coordination

Improved planning processes and program-area coordination are sought as often as increases in staff. Participants say they do not become involved early enough in corporate planning—do not have, as one says "an early role in decision-making": Too often, it is variously reported, their participation is "ad hoc," or "depends on the particular executive involved." There is still "too much fire fighting." And surveyed executives want more "public-affairs involvement in setting corporate objectives," and "closer participation by top management in public-affairs planning."

To achieve better planning, several organizational steps are proposed. One is to elevate the senior public-affairs executive to a rank that would lead to membership in top planning committees and to more frequent and routine peer contact with senior managers. A second is to have this executive report at a higher level than he or she does at present—some say, specifically, to the CEO—or to become a regular participant in senior-management councils. "Corporate Communications should have direct representation on the Corporate Policy Committee," one says.

Such steps would dovetail with widely proposed solutions to a related problem—poor coordination among public-affairs program areas. "The bulk of our public-affairs activities is conducted by the Corporate Public Relations Department, but some are the responsibility of Government Affairs and others of Corporate Grants," one executive reports. "A single Public Affairs Department would provide better coordination of activities, better utilization of people and other resources, and a closer relationship to top management."

Table 11: Respondents' Appraisals of Their Companies' Programs

Program	Effectiveness of efforts vis-a-vis needs				
	Excellent	*Good*	*Fair*	*Poor*	*Total*[1]
Government relations—federal	30%	49%	17%	5%	100%
Government relations—state and/or local	27	50	19	5	100
Public, media or press relations	28	57	13	3	100
Community relations	27	47	22	4	100
International public affairs	7	32	40	24	100
Investor or financial relations	32	53	14	1	100
Stockholder relations	28	52	19	2	100
Corporate contributions	27	50	20	3	100
Institutional advertising	11	39	26	24	100
Issues management	14	39	30	16	100

[1] Details may not add to 100% because of rounding.

Corporate-Divisional Liaison

A third area of need in the eyes of many participants is liaison between corporate and operating-level units. They call for closer cooperation, increased information flow, better communication, improved understanding of mutual needs, and greater partnership. Specific suggestions for achieving these ends are rare. A few see complete public-affairs centralization under one head as one way of meeting this problem, much as others view organizational integration as a key to improved coordination among corporate program areas.

Others would not go so far but suggest a stronger corporate role, ranging from assistance to direction or control of divisional or operating-company programs and priorities. This should entail, one of the survey participants says, a formal corporate-staff voice in the selection of operating-unit personnel, whether staff professionals or individuals assigned additional duties in public affairs, and in explicitly defining these responsibilities. Another public-affairs executive thinks his company should establish a special corporate budget that would be used to "seed" the planning and implementation of programs at operating units.

Other suggestions: More frequent meetings between corporate and divisional staff people, joint planning sessions, additional corporate staff dedicated to liaison with operating units, and better training of field people.

Criticism is voiced at operating as well as corporate levels. The head of public affairs at a divisional organization reproaches the corporate group for lack of follow-through. "We submit plans periodically and get no feedback," he says. A manufacturing executive believes some resentment by line managers of corporate involvement in their communications activities "is inherent in a multidivisional corporate structure. We have found no solution but do overcome a good measure of the resentment through the excellent relations we have established between the communications staffs at HQ and the divisions, which trust and support one another."